ROLE OF STATE BANK OF INDIA IN FINANCIAL INCLUSION PROGRAMME WITH SPECIAL REFERENCE TO NANDED DISTRICT

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INTRODUCTION TO STUDY

India has a long history of banking development. After Independence, the major focus of the Government and the Reserve Bank was to develop a sound banking system which could support planned economic development through mobilization of resources/deposits and channel them into productive sectors.

State Bank of India, largest and strongest nationalized bank in India ranks top among first five banks world-wide. SBI is an Indian public sector bank &financial service company having its major presence in country as well as in various nations across the world-wide. It is primarily a government owned corporation & its head quarter is in India.

The number of commercial Banks in a country provides an opportunity for the people of that country to participate in the formal financial system and to utilize financial services of formal financial system. Larger the number of commercial banks, larger the scope for bringing people in to formal financial system provided if banks provide suitable financial products and services.

Rangarajan committee (2008) defined financial inclusion as, "the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost."

Financial inclusion is a buzzword now and has attracted the global attention in the recent past. In India, it is a new concept. More than 70% of our population lives in the rural areas. Financial inclusion is a necessity for a country where a large chunk of the world's poor resides. Access to finance by the poor and vulnerable groups is a prerequisite for poverty reduction, employment, economic growth and social cohesion. Further access to finance will empower the vulnerable groups by giving them an opportunity to have a bank account, to save and invest, to insure their homes or to partake of credit and there by facilitate them to break the chain of poverty. Financial inclusion refers to a process that ensures the ease of access, availability and usage of the formal financial system for all members of an economy. An inclusive financial system has several merits. It facilitates efficient allocation of productive resources and thus can potentially reduce the cost of capital. In addition, access to appropriate financial services can significantly improve the day-to-day management of finances.

The financial inclusion emphasizes on conversion of unbanked area into banked one. Having a bank account does not mean financial inclusion. Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all section of society in general and vulnerable groups such as weaker sections and low income groups in particular, at an affordable cost and in a faire and transparent manner by regulated mainstream institutional players. Financial inclusion is a critical for achieving inclusive growth in the country. It can help in reducing the growth of informal sources of credit (such as money lenders), which are often found to be exploitative. Thus, an all-inclusive financial system enhances efficiency and welfare by providing avenues for secure and safe saving practices and by facilitating a whole range of efficient financial services.

An inclusive financial system facilitates efficient allocation of productive resources and thus can potentially reduce the cost of capital. This system enhances efficiency and welfare by providing avenues for secure and safe saving practices and by facilitating a whole range of efficient financial services like easy day to-day management of finances, safe money transfer etc. The govt. of India as well as the banking industry has recognized this imperative and has undergone fundamental changes over the last two decades. In fact, in order to address the issues of financial inclusion, the Government of India constituted a “Committee on Financial Inclusion” under the Chairmanship of Dr. C. Rangarajan. Not only in India, but financial inclusion has become an issue of worldwide concern, relevant equally in economies of the underdeveloped, developing and developed nations. Building an inclusive financial sector has gained growing global recognition bringing to the fore the need for development strategies that touch all lives instead of a select few.

REVIEW OF LITERATURE

RBI (2005) proposed financial inclusion based on the business facilitators/ business correspondent model, adapting the Brazilian success story in India. In 2005, efforts were made enabling banking services to reach the rural areas through credit facilities. While the banking network started expanding in the rural areas, there were still a majority of the population in rural areas without having access to banking services. The reasons behind these are: declining productivity of the rural branches of SCBs, digression of RRBs from their social objective of reaching out to the masses and the fragility of the cooperative credit structure. The report also identified supply and demand side reasons for the lack of penetration of banking services in the rural areas. The report mainly focused on further acceleration of efficient and effective delivery of credit to the rural farm and non-farm sectors and in order to achieve this, the suggestions provided by the committee in the report were broadly based on the three models such as business facilitator model, business correspondent model and microfinance model.

GOI (2008) examined financial inclusion as a delivery mechanism providing financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups. The recommendations of the report focused on the following areas. First, financial inclusion should include access to mainstream financial products. Second, banking and payment services should be available to the entire population without discrimination. Third, promotion of sustainable development and generation of employment in rural areas should be a priority. Fourth, financial inclusion must be taken up in a mission mode and thereby suggested the constitution of a National Mission on Financial Inclusion (NMFI) in order to achieve universal financial inclusion within a specific time frame. Fifth, the Committee also recommended for the constitution of two funds with NABARD – the Financial Inclusion Promotion and Development Fund, and the Financial Inclusion Technology Fund for better credit absorption capacity among the poor and vulnerable sections of the country and also for proper and appropriate application of technology in order to facilitate the mandated levels of inclusion. In short, the report provided an understanding of one of the best ways to achieve inclusive growth through financial inclusion.

Mandira Sarma,Jesim Pais ,Sept 2008"Financial inclusion and Development: Across country Analysis" they find out that level of human development and that of financial inclusion are strongly positively correlated, income as measured by per capita GDP is an important factor in explaining the level of financial inclusion in a country. they find that income inequality, adult literacy and urbanization are also important factors.

Prof. N.S Rao, Mrs. Harshita Bhatnagar,"Vol 5, issue3, Sept 2012, Financial Inclusion: Issues and Prospects" they found out that that financial inclusion shows positive and beneficial changes because of intensity change and technology changes.

Josiah Aduda and Elizabbath Kalunda Vol 2,no6,2012 ," Financial Inclusion and Financial Sector Stability With Reference To Kenya: A Review of Literature" This paper studied that enhanced measures of financial inclusion which include both access and usage should be applied, since access and usage are not the same but supplementary. Informal financial services should also be included as they play a big role in developing countries.

THE PROBLEM STATEMENT

Services Extended through 'Financial Inclusion'
Financial products and services provided to the people through financial inclusion are:

1 Service facility

2 Overdraft facility

3 Payment and remittance services

4 Low cost financial services

5 Cheque facility

6 All kinds of commercial loan

7 Electronic fund transfer

8 Credit and Debit Cards access

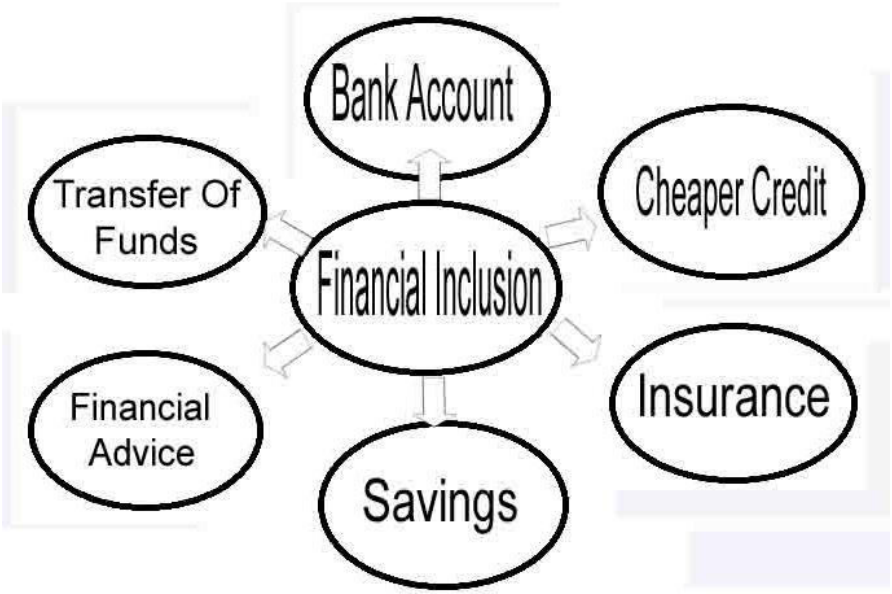
9 Access to financial markets

10 Financial advice

11 Insurance (Medical insurance)

12 Micro credit during emergency

13 Entrepreneurial credits



Reasons for "Financial Exclusion"

Financial exclusion is a serious concern among the low-income households as well as small businesses, mainly located in semi-urban and rural areas. It is the unavailability of banking services to people living in poverty. According to K. C. Chakraborty "Financial Exclusion" is the lack of access by certain consumers to appropriate, low cost, fair and safe financial products and services from mainstream providers". There are 3 types of exclusions: (a) people who do not have any access to a regulated financial system; (b) people who have limited access to banks and other financial services; and (c) individuals who have inappropriate products.

Financial exclusion can make poor people vulnerable to loan sharks. It breeds poverty and hinders overall development of a country. It not only widens the "Rich-Poor divide", it also leads to "Social exclusion". There are a variety of reasons for financial exclusion. The reasons are:

1Lack of banking facility in the locality (i.e. geographical exclusion including a rural-urban divide);

2 Financial illiteracy;

3 Nonchalant attitude of the staff;

4 Cumbersome documentation and procedures;

5 Unsuitable products;

6 Language;

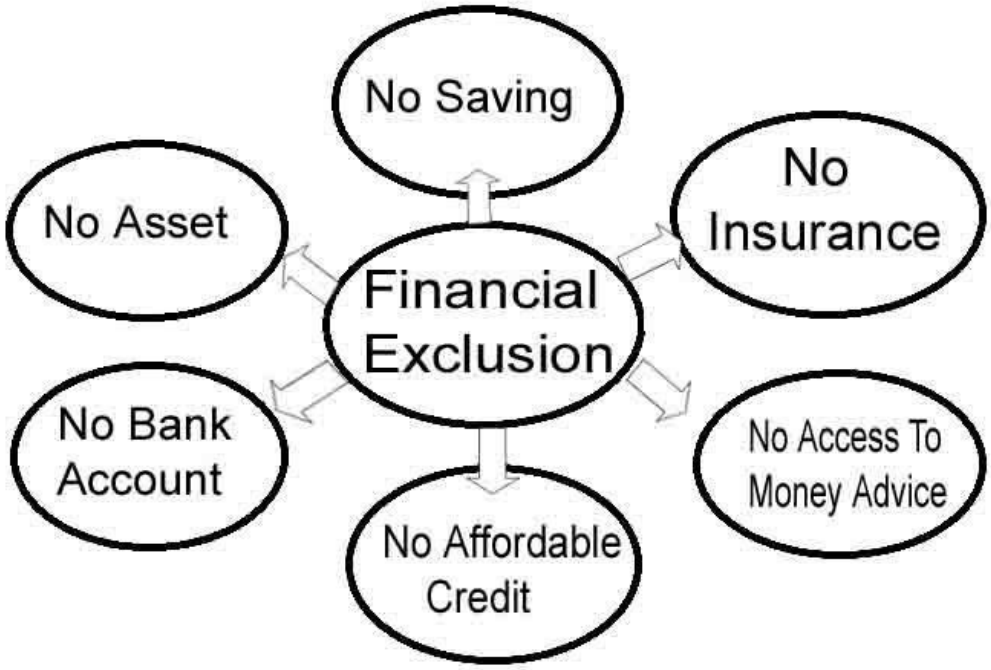
7 Feeling uncomfortable by a section of population in visiting a bank branch;

8 Lack of awareness and initial inhibitions in approaching a formal institution;

9 Low incomes/assets;

10 Distance from branch and branch timing;

11 Fear of refusal.



OBJECTIVES OF THE STUDY

1. To discuss about the conceptual aspects of financial inclusion.

2. To point out the reasons for financial exclusion.

3. To highlight the measures taken by SBI for promoting financial inclusion.

4. To analyse the financial inclusion through SBI operating in Nanded Disrtrict.

SIGNIFICANCE OF THE STUDY

Emerging economy like china, Indonesia, the Philippines, India and Malaysia are expected to grow by double digits annually by the year 2030(PR Newswire, 6th September 2000)2. The present scenario of Indian economyis growing, and the rate of growth is more than many other developed countries, but what we need is a uniform growth; the condition of the poor people in our country should also be improved at a faster rate. Commercial banks play a vital role in the economic development of our country. According to the RBI guidelines, banks in India should implement financial inclusion policy to enter vulnerable groups, by providing adequate financial services and by mobilizing their small savings. Thus the present paper aims to throw lights on the role of commercial banks in the financial inclusion programme.

SCOPE OF THE STUDY

The present study covers the different aspects of Financial Inclusion Programme under State Bank Of India. The study is important in the Nanded to find out the strategic trend of Financial Inclusion Programme under SBI such as problem faced in district related to financial services.

LIMITATION OF THE STUDY

1.The study and the research will be limited to the Nanded geographical region only.
2.The research will be carry out analytical study of the Financial Inclusion Programme under SBI.

THE METHODOLOGY:-

The methodology which will be used for carrying out the report will be used as follows:-

Types of data sources:-

For present research work primary as well as secondary data will be used. Research will be broadly classified into two sections, various statistical tools will be used to suggest & analyses the primary and secondary data.

1.Tools of collecting primary data:-

The information will be collected directly from the managers of the banks, borrower, lenders and employees of the banks.

A. Questionnaires and surveys:-

This will include range of response questions, close ended questions, providing limited answer to specific responses or a numerical scale.

B.Interview:-

This will be include people to interview, develop the interview questions including open-ended questions and close ended questions & carefully eliminating leading questions.

C.Sample size :- The sample size of Taluka is 8 of Nanded district.

The 240 Respondent will be selected from selected villages from selected talukas of Nanded District**.**

8 Taluka * 3 village * 10 Respondent = 240

D.Sampling technique:-

The study will be using simple random sampling. All these data will help in formulating as very comprehensive case study. All sample units will be personally contacted & interviewed.

2.Tolls of collecting secondary data:-

Various statistical tools will also be used to analyses the secondary data are as follows:-

A.Document review:-

Obtaining the actual forms & operating document correctly being used. Review blank copies of form & samples of actual completed forms.

B.Observation :-
Analyzing annual report & press releases, verifying the statement made during the interviews.

C.web search :-
The information related to the Nanded district will be studied from internet to other published papers.

D.Various policies from commercial banks will be dealt in details by referring various government publications & reference book, journals, published data from time to time.

E.Research of journals, periodicals, technical materials, electronics/ internet search, professional meetings, seminars and discussion, site visits etc.

F.Sampling like records, reports, operational logs, data entry documents, complaints & various types of forms.

HYPOTHESIS

1 Hypothesis 1:-
Null Hypothesis :- There is no significance difference between measures taken by SBI and Expansion of financial inclusion.
Alternative Hypothesis :- There is significance difference between measures taken by SBI and Expansion of financial inclusion.

2. Hypothesis 2 :-
Null Hypothesis :- There is no significance relationship between financial inclusion programme conducted by SBI and increase in economic and social change of low income people.
Alternative Hypothesis :- There is significance relationship between financial inclusion programme conducted by SBI and increase in economic and social change of low income people.

CHAPTER SCHEMA:-

The following will be chapter schema of Research Report.

Chapter 1 :- Introduction and Research Methodology

- Introduction to Study
- Present Trend
- Statement of Problem
- Objective and Importance of Study
- Scope and Limitation of the Study
- Methodology
- Hypothesis

Chapter 2 :- Review Of Literature and Research

Chapter 3 :- Theoretical view of Financial Inclusion

- Meaning of Financial Inclusion
- Financial Inclusion & Financial Exclusion
- Role of SBI in Financial Inclusion Programme

Chapter 4 :- Profile Of State Bank Of India In Financial Inclusion Programme

Chapter 5 :- Data Interpretation , Data Analysis and Interpretation

- Population
- Determination of Sample Size
- Instrument of Sample Size :- 1. Primary Data 2. Secondary Data
- Method of Data Collection : 1. Questionary 2. Interview
- Method of Data Presentation
- Questionaries result in percentage
- Statistical Tool
- Testing Hypothesis

Chapter 6 :- Findings and Suggestions to improve the situation and Conclusion

CONCLUSION

The purpose of this study is to understand and analyze the Financial Inclusion Programme taken by State Bank of India .The researcher will be broadly present the a view on the concept and emergence of Financial Inclusion in Nanded subsequently progressing with the perspective of financial inclusion.

A comprehensive exercise for understanding and validating the effectiveness of financial inclusion of SBI on the basis of the primary and secondary data.

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The bibliography and annexure will be given at the end. It is hoped that this research will be open new avenue of Analytical Study On Role State Bank Of India In Financial Inclusion Programme With Special Reference To Nanded District.

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